# GOVERNMENT OF INDIA
# COMMERCE AND INDUSTRY
# LOK SABHA

UNSTARRED QUESTION NO:7861
ANSWERED ON:17.05.2002
US RULES ON TEXTILES
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**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

(a) whether USA had made some changes in its rules of origin in textiles;

(b) if so, the details thereof;

(c) whether it effects on India`s textile exports; and

(d) the steps proposed to be taken by the Government to get it rectified?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI RAJIV PRATAP RUDY)

(a) & (b) Yes, Sir. USA had introduced certain changes in its rules of origin for textiles and apparel products in 1994. The changes made were given effect from 1st July, 1996. The main changes made were:

i) Fabrics are deemed to originate in the country where they were formed in the greige state by weaving or knitting. Dyeing, printing and other finishing operations that are ordinarily performed to turn greige fabric into a useful article of commerce no longer confer origin.

ii) A wide range of made-up non-apparel products, such as silk scarves, blankets as well as bed, table and kitchen linen, are deemed to originate in the country where their constituent fabrics are formed into the greige state.

iii) For apparel products, the origin is deemed to be the country where the assembly takes place, which means that the country where the component parts were cut into shape can no longer be the country of origin.

We consider these changes to be inconsistent with the United States` obligations under the WTO agreements. Although as a result of dispute settlement proceedings invoked by EC, the USA modified its rules of origin in 2000, these however still did not bring its rules of origin in conformity with the WTO rules.

(c) The changes have resulted in extraordinarily complex rules of origin for textile and apparel products. Moreover, they create restrictive, distorting and disruptive effects on international trade, pose unduly strict requirements, require the fulfilment of certain conditions not related to manufacturing or processing as a pre-requisite for the determination of the country of origin, are more stringent than the rules applied by the United States to determine whether a good is domestic, discriminate between Members and are not administered in a consistent, uniform, impartial and reasonable manner. The changes therefore have an adverse effect on our textile exports.

(d) On 11 January 2002 India requested formal consultations with the United States of America under the Dispute Settlement Mechanism of the World Trade Organization (WTO). Formal consultations have been held with the United States on 7 February 2002 and 26 March 2002. Since these consultations have failed to resolve the matter India is now requesting the Dispute Settlement Body of WTO to establish a Panel to look into this matter.